



Dave Yost • Auditor of State



**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Perry Township  
Tuscarawas County  
13698 Linden Rd. SE  
Tippecanoe, Ohio 44699

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Perry Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Perry Township, Tuscarawas County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, a certain Township cemetery bequest fund was improperly classified as an Investment Trust Fund rather than as a Permanent Fund. The fund balance at January 1, 2013 has been restated accordingly.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 25, 2016

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$22,652	\$6,189	\$0	\$28,841
Intergovernmental	17,864	107,810	0	125,674
Earnings on Investments	500	1	0	501
Miscellaneous	4,876	12,717	0	17,593
<i>Total Cash Receipts</i>	<u>45,892</u>	<u>126,717</u>	<u>0</u>	<u>172,609</u>
<b>Cash Disbursements</b>				
Current:				
General Government	60,608	0	0	60,608
Public Safety	0	2,274	0	2,274
Public Works	0	79,796	0	79,796
Debt Service:				
Principal Retirement	0	21,386	0	21,386
Interest and Fiscal Charges	0	2,614	0	2,614
<i>Total Cash Disbursements</i>	<u>60,608</u>	<u>106,070</u>	<u>0</u>	<u>166,678</u>
<i>Net Change in Fund Cash Balances</i>	(14,716)	20,647	0	5,931
<i>Fund Cash Balances, January 1</i>	<u>25,222</u>	<u>61,138</u>	<u>1,300</u>	<u>87,660</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	1,300	1,300
Restricted	0	71,466	0	71,466
Committed	0	10,319	0	10,319
Assigned	10,506	0	0	10,506
<i>Fund Cash Balances, December 31</i>	<u>\$10,506</u>	<u>\$81,785</u>	<u>\$1,300</u>	<u>\$93,591</u>

*The notes to the financial statements are an integral part of this statement.*

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$22,866	\$5,170	\$0	\$28,036
Intergovernmental	14,724	97,100	0	111,824
Earnings on Investments	11	2	0	13
Miscellaneous	4,261	545	0	4,806
<i>Total Cash Receipts</i>	<u>41,862</u>	<u>102,817</u>	<u>0</u>	<u>144,679</u>
<b>Cash Disbursements</b>				
Current:				
General Government	63,935	0	0	63,935
Public Safety	0	2,274	0	2,274
Public Works	0	73,054	0	73,054
Capital Outlay	0	191	0	191
Debt Service:				
Principal Retirement	0	20,126	0	20,126
Interest and Fiscal Charges	0	3,683	0	3,683
<i>Total Cash Disbursements</i>	<u>63,935</u>	<u>99,328</u>	<u>0</u>	<u>163,263</u>
<i>Net Change in Fund Cash Balances</i>	(22,073)	3,489	0	(18,584)
<i>Fund Cash Balances, January 1</i> <i>- Restated See Note 2</i>	<u>47,295</u>	<u>57,649</u>	<u>1,300</u>	<u>106,244</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	1,300	1,300
Restricted	0	61,138	0	61,138
Assigned	22,723	0	0	22,723
Unassigned (Deficit)	2,499	0	0	2,499
<i>Fund Cash Balances, December 31</i>	<u>\$25,222</u>	<u>\$61,138</u>	<u>\$1,300</u>	<u>\$87,660</u>

*The notes to the financial statements are an integral part of this statement.*

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Perry Township, Tuscarawas County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Washington Township Volunteer Fire Department and the Freeport Community Volunteer Fire Department, to provide fire services.

The Township participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA)

The Township belongs to OTARMA, a risk-sharing pool available to Ohio townships.

Jointly Governed Organizations:

Tri-County Joint Ambulance District (TCJAD)

TCJAD is a body corporate and politic formed by the Township and several other political subdivisions under Ohio Rev. Code § 55.375 to provide emergency medical services.

Tuscarawas County Regional Planning Commission (Commission)

The Township participates in the Commission, which is a statutorily created political subdivision of the State. The Commission's purpose and duty is to make studies, maps, plans, recommendations and reports concerning the various aspects of the region.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. RESTATEMENT OF FUND BALANCE**

The Township has a cemetery trust fund that benefits the Township cemetery and is not restricted in use for the benefit of individuals, private organizations, or other governments. The revenue and fund balance should be reported within a Permanent Fund. However, this fund's activity was previously reported in an Investment Trust Fund. The beginning balances of the Investment Trust Fund and the Permanent Fund were restated at January 1, 2013 as shown below:

	Investment Trust Fund's Balance	Permanent Fund's Balance
January 1, 2013 fund balances as reported:	\$1,300	\$0
Adjustment: proper classification	(1,300)	1,300
Restated January 1, 2013 fund balance	\$0	\$1,300

**3. EQUITY IN POOLED DEPOSITS**

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2014	2013
Demand deposits	\$92,291	\$86,360
Certificates of deposit	1,300	1,300
Total deposits	\$93,591	\$87,660

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,801	\$45,892	(\$5,909)
Special Revenue	113,262	126,717	13,455
Permanent	0	0	0
Total	\$165,063	\$172,609	\$7,546

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,824	\$60,608	\$1,216
Special Revenue	159,318	106,070	53,248
Permanent	0	0	0
Total	\$221,142	\$166,678	\$54,464

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,594	\$41,862	\$5,268
Special Revenue	112,362	102,817	(9,545)
Permanent		0	0
Total	\$148,956	\$144,679	(\$4,277)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,498	\$63,935	\$19,563
Special Revenue	164,911	99,328	65,583
Permanent	0	0	0
Total	\$248,409	\$163,263	\$85,146

Contrary to Ohio Rev. Code § 5705.10(D), restricted revenue was not always paid into the Road and Bridge and Gasoline Tax Funds.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**6. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Equipment Loan	\$56,818	4.05%

The Township entered into a five-year bank loan in 2012 to finance the purchase of a backhoe and tractor for Township road maintenance. The loan is secured by the equipment financed. Monthly payments of \$1,905 are paid from the Gasoline Tax Fund.

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Equipment Loan
2015	\$22,856
2016	22,856
2017	14,272
Total	<u>\$59,984</u>

**7. RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, \$4,926 and \$5,157, respectively, of their gross salaries and the Township contributed an amount equaling 14%, \$6,897 and \$7,219, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$4,767	\$4,892

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool.

Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**9. JOINTLY GOVERNED ORGANIZATIONS**

Tri-County Joint Ambulance District (TCJAD)

TCJAD provides emergency medical services for the Township. TCJAD is directed by an appointed six-member Board of Directors. One board member is appointed by each political subdivision within TCJAD. Those subdivisions are Oxford, Salem, Perry, and Washington Townships; and the Villages of Port Washington and Newcomerstown. TCJAD provides emergency medical services to citizens within those areas. During 2014 and 2013, the Township paid \$0 in total to the Ambulance District.

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Tuscarawas County Regional Planning Commission (Commission)*

The County participates in the Tuscarawas County Regional Planning Commission which is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County, and certain municipalities and townships. Of the 59 members of the Commission board of trustees, the Township appoints one. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission has the purpose and duty to make studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic and governmental characteristics, functions and services, and other aspects of the region or the County, respectively.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Perry Township  
Tuscarawas County  
13698 Linden Rd. SE  
Tippecanoe, Ohio 44699

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Perry Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated January 25, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. In addition, the Township's Investment Trust and Permanent Funds' cash fund balances at January 1, 2013 were restated to properly classify a cemetery bequest fund as a Permanent Fund.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2014-003 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying Schedule of Findings to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2014-003 and 2014-004.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 25, 2016

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Significant Deficiency**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

As a result of procedures performed, errors were noted in the Township's financial statements that required audit reclassification for which the financial statements have been adjusted:

- Intergovernmental Revenue received for homestead and rollback in the amount of \$3,466 was misclassified as Property and Other Local Taxes within the General Fund.
- Principal and Interest payments of \$21,386 and \$2,614, respectively, were misclassified as Capital Outlay expenditures in the Gasoline Tax Fund in 2014. Principal and Interest payments of \$20,126 and \$3,683, respectively, were misclassified as Capital Outlay expenditures in the Gasoline Tax Fund in 2013.
- The fund balance of \$10,319 of the Road & Bridge Fund was improperly classified as Restricted, instead of Committed for 2014. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, the balance attributable to tax revenue from inside millage should be designated as Committed.
- The Township improperly classified the Assigned fund balance of the General Fund as Unassigned, resulting in a misclassification of \$10,506 in 2014 and \$22,723 in 2013. In accordance with GASB Statement No. 54, an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expenses over expected revenues satisfies the criteria to be classified as an assignment of fund balance.
- The Township improperly classified the Cemetery Trust Fund as an Investment Trust Fund, instead of a Permanent Fund. The January 1, 2013 balance was \$1,300. According to paragraph 35 of GASB Statement No. 54, permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for the purposes that support the reporting government's programs.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Township's financial statements have been adjusted accordingly.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Board of Trustees should adopt policies and procedures, including a final review of the financial statement and notes by the Fiscal Officer and Board, to help identify and correct errors and omissions. The Fiscal Officer should also refer to the Ohio Township Handbook for additional guidance in recording receipts and expenditures in the UAN system.

**FINDING NUMBER 2014-002**

**Significant Deficiency**

Accounting records should be complete and accurate. Bank reconciliations should be completed on a monthly basis, with all significant variances investigated and documented.

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-002 (Continued)**

**Significant Deficiency (Continued)**

Although monthly bank reconciliations were completed by the Township, these reconciliations often included significant other adjusting factors. Throughout 2014 and 2013, we noted that the bank reconciliations were not always performed completely and accurately, with other reconciling items being noted. One such other reconciling item was that of an error of \$23,040 which occurred in February 2014, but was not corrected by the Township until June 2014. Additionally, we noted that payroll remittance amounts and dates posted to the ledger did not always agree with the amounts and dates paid.

Failure to maintain complete and accurate bank reconciliations increases the risk of discrepancies and errors occurring without timely detection and prevents management from having accurate financial information.

The Township should implement procedures to ensure that bank reconciliations are performed on a monthly basis. Other adjusting factors should be infrequent in occurrence, insignificant in amount, and should always be investigated and supported with detailed documented explanations. The reconciliations should be reviewed by the Board for these attributes and then approved.

**FINDING NUMBER 2014-003**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Fiscal Officer did not always accurately classify receipts and disbursements in 2014 and 2013, which resulted in the following adjustments:

- Intergovernmental Revenue totaling \$4,462 received from the Tuscarawas County Engineer's Office received in lieu of OPWC Funds was improperly posted to the General Fund, instead of a restricted road fund, such as the Road & Bridge Fund in 2014.
- Miscellaneous Receipts totaling \$12,700 were received for road repairs/damages and were improperly posted to the General Fund in 2014, instead of a restricted road fund where such disbursements were made. These receipts should have been posted to the Gasoline Tax Fund.

The Fiscal Officer should be diligent in assuring all monies are properly posted to the correct fund in accordance with the Township's Uniform Accounting Network (UAN) coding system and the Ohio Rev. Code.

The Fiscal Officer made the adjustments to the Township's records and the adjustments are reflected in the accompanying financial statements.

**PERRY TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-004**

**Noncompliance**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; § 133.15 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Township entered into a bank loan with the First National Bank of Dennison for an equipment loan totaling \$103,372 in 2012. At December 31, 2014, the loan balance of this obligation was \$56,818. This debt obligation was a loan, and as such, was not within the provisions set forth in Ohio Rev. Code Chapter 133.

The Ohio Rev. Code contains various methods of incurring debt for Townships. Installment loans with financial institutions are not legal methods of debt for Townships. The Board should consult with the Township's legal counsel prior to the Township incurring future debt, to ensure debt obligations are permissible.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

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# Dave Yost • Auditor of State

PERRY TOWNSHIP

TUSCARAWAS COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 9, 2016